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ACT/005/038 #2

PLATEAU MINING CORPORATION
WILLOW CREEK MINE
847 NORTHWEST HIGHWAY 191
HELPER, UTAH 84525
(435) 472-0475

FAX NUMBER: (435) 472-4782 (Accounting and Technical Services)

TO: Pamela Grubbaugh-Littig

DATE: 10-4-99

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(INCLUDING THIS COVER SHEET)

FAX No.: 801-359-~~359~~-3940

FROM: Scott Langley

SUBJECT: Oil & Gas Lease Stipulations

COMMENTS:

Per your request to Johnny Pappas, attached are the BLM stipulations for the 5 Lease parcels recently auctioned that overlie the Willow Creek mine.

Thank you for organizing this Wednesday's meeting. It should be useful for all parties.

Scott Langley

Copy Lowell,
Gil, John Baza,
Daron, FAX Pete,
FAX BLM-PFO
(Tom Resmussen)
FAX BLM-State
Office
Alan Rubinsky



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

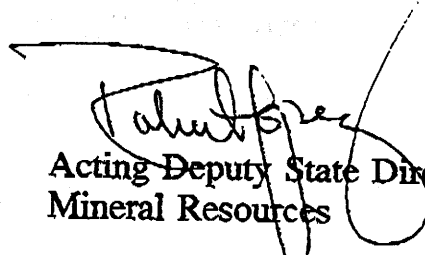
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AUG 27 1999

NOTICE

The attached special stipulations apply to Parcel Numbers UT 001, 002, 003, 004, and 005 offered on the September 9, 1999, competitive oil and gas lease sale. These are in addition to the stipulations already shown in the list.


Acting Deputy State Director
Mineral Resources

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NOTICES

1. This Federal oil and gas lease is subject to valid existing rights to mine and extract the coal under Federal coal leases and the approvals granted under those leases.
2. BLM will not approve any oil and gas operations which interfere with the coal mining within the oil and gas lease.
3. The Mine Safety and Health Administration has jurisdiction over all safety issues related to coal mining, which may include CBM collection by the oil and gas lessee under this lease.
4. Oil and gas that are produced from the mine workings by the coal lessee in the Blackhawk formation originate primarily from longwall mining operations. Other small amounts of oil and gas may originate from development operations or natural seepage from mine workings. Normally, the oil is collected and currently leaves the mine via the mine de-watering system. The gas is ventilated through a mine ventilation system. To further the orderly collection and disposal of federal oil and gas, BLM urges the lessees for parcels nos. UT 001, 002, 003, 004, and 005 from the September 1999 Oil and Gas Lease Sale to enter into an agreement to share in the collection responsibilities for and revenues from this oil and gas.

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**SPECIAL STIPULATIONS FOR OIL AND GAS PARCELS OVER
WILLOW CREEK COAL MINE
PARCEL NOS. UT 001, 002, 003, 004, 005
SEPTEMBER 9, 1999, COMPETITIVE OIL AND GAS LEASE SALE**

1. The right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) granted by this lease includes the right to collect and dispose of coal bed methane (CBM) that would otherwise be vented and oil that is generated from the Federal coal lessee's development of the Blackhawk coal formation.
2. The oil and gas lessee may collect CBM from the Blackhawk formation only from the surface vent holes or the in-mine de-gasification lines installed by the coal lessee. This must be in accordance with the sequencing and timing of the coal mining. The lessee may, with prior approval by the Authorized Officer, construct and attach methane collection systems to capture the methane being vented. The oil and gas lessee must consult with the coal lessee on the best method to use for attaching methane collection systems to the venting pipes.
3. Any Federal oil that is produced from the mine workings by the coal lessee in the portions of the Blackhawk formation beneath this leasehold may be sold by the oil and gas lessee. The oil and gas lessee is responsible for collection and disposal of the oil from any point at which the oil leaves the mine, unless the oil and gas lessee reaches an agreement with the coal lessee for some other disposition of this oil.
4. The lessee must not conduct any CBM or oil collection or other oil and gas operations that would be deemed by the Authorized Officer to interfere with coal mining operations in the Blackhawk formation conducted under Federal coal leases UTU-73975, UTU-0148779, and SL-071737. Interference includes, but is not limited to:
 - a. adversely affecting coal mine worker safety or coal mine safety,
 - b. causing the reduction of coal production rates or coal recovery,
 - c. changing coal mine ventilation,
 - d. interfering with surface studies done by the coal lessee which are related to coal mining, and
 - e. interfering with coal exploration holes.
5. The oil and gas lessee cannot hold the coal lessee liable for any damages caused by surface subsidence associated with coal mining or for any CBM which is vented or oil lost by the coal lessee in the normal course of coal operations.
6. The oil and gas lessee must notify the coal lessee before entering the surface of the lease.